



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LARUE COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

LARUE COUNTY MERLE EDLIN, SHERIFF CALENDAR YEAR 1999 FEE AUDIT

Financial Condition of the Entity:

For the calendar year, the Sheriff collected \$239,193 of receipts and disbursed \$145,936. The Sheriff was paid \$57,765 in salary and generated excess fees of \$35,492. As of December 31, 1999, the LaRue County Sheriff had a zero balance in his 1999 fee account.

New Findings:

The Sheriff did not have a written security agreement with the financial institution to protect bank deposits.

Lease Agreement:

The Sheriff has a lease agreement with KACoLT for vehicles. The lease had a remaining balance of \$42,506, which represented 59 monthly installments.

Excess Fees Retained:

Fiscal Court voted to let the Sheriff retain \$10,000 of 1999 excess fees to make vehicle lease payments for calendar year 2000. The Sheriff transferred \$10,000 from the 1999 fee account to the 2000 fee account. This reduced excess fees paid fiscal court to \$25,492.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Tommy Turner, LaRue County Judge/Executive

Honorable Merle Edlin, LaRue County Sheriff

Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of LaRue County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Merle Edlin, LaRue County Sheriff
Members of the LaRue County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated May 18, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 18, 2000

LARUE COUNTY
MERLE EDLIN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 10,945	
Cabinet For Human Resources	<u>6,128</u>	\$ 17,073

Circuit Court Clerk:

Sheriff Security Service	\$ 6,918	
Fines and Fees Collected	1,390	
Arrest Fees	<u>3,313</u>	11,621

Fiscal Court	23,701
--------------	--------

County Clerk - Delinquent Taxes	775
---------------------------------	-----

Commission On Taxes Collected	126,704
-------------------------------	---------

Fees Collected For Services:

Auto Inspections	\$ 4,225	
Accident and Police Reports	334	
Serving Papers	8,340	
Advertising Cost	<u>670</u>	13,569

Other:

Carrying Concealed Deadly Weapon Permits	\$ 5,535	
Game Security	1,440	
Transporting Prisoners	190	
Tax Settlement	1,026	
Reimbursements	<u>340</u>	8,531

Interest Earned	819
-----------------	-----

Borrowed Money:

State Advancement	<u>36,400</u>
-------------------	---------------

Gross Receipts (Carried Forward)	\$ 239,193
----------------------------------	------------

LARUE COUNTY
 MERLE EDLIN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward)	\$ 239,193
----------------------------------	------------

Disbursements

Operating Disbursements and Debt Service:

Personnel Services-

Deputies' Salaries	\$ 85,027
--------------------	-----------

Other Salaries	950
----------------	-----

Contracted Services-

Advertising	1,311
-------------	-------

Vehicle Maintenance and Repairs	5,503
---------------------------------	-------

Materials and Supplies-

Office Materials and Supplies	1,029
-------------------------------	-------

Uniforms	138
----------	-----

Other Charges-

Dues	367
------	-----

Photography	156
-------------	-----

Bond	165
------	-----

Equipment	2,443
-----------	-------

Fees Paid Other Agencies	859
--------------------------	-----

K-9 Expenses	372
--------------	-----

Lease-Rent Equipment	1,480
----------------------	-------

Carrying Concealed Deadly Weapon Permits	2,070
--	-------

Out-of-State Fugitive Travel	5,395
------------------------------	-------

Radio Maintenance and Rental	958
------------------------------	-----

Range and Ammo	363
----------------	-----

Training	950
----------	-----

Debt Service:

State Advancement Repaid	<u>36,400</u>
--------------------------	---------------

Total Disbursements	<u>145,936</u>
---------------------	----------------

Net Receipts	\$ 93,257
--------------	-----------

Less: Statutory Maximum	<u>57,765</u>
-------------------------	---------------

Excess Fees Due County for Calendar Year 1999	\$ 35,492
---	-----------

Reserved For Vehicle Lease Payments (Note 5)	\$ 10,000
--	-----------

Payment to County Treasurer - March 2, 2000	25,310
---	--------

Payment to County Treasurer - May 18, 2000	<u>182</u>	<u>35,492</u>
--	------------	---------------

Balance Due at Completion of Audit	<u><u>\$ 0</u></u>
------------------------------------	--------------------

The accompanying notes are an integral part of the financial statement.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution pledged securities of \$1,625,000. However, the depository institution's board of directors or loan committee did not approve the pledge agreement. In addition, the depository institution did not have a written agreement with the Sheriff.

Note 4. Lease

On November 1, 1999, the Sheriff entered into a lease agreement for vehicles with the Kentucky Association of Counties Leasing Trust (KACoLT). Per KACoLT requirements, the lease is officially with the LaRue County Fiscal Court, but the Sheriff is to make the payments. The agreement requires a monthly payment of \$790 for 60 months to be completed on November 20, 2004. The total balance of the agreement is \$42,506 as of December 31, 1999.

Note 5. Excess Fees Retained By Sheriff

On December 14, 1999, the LaRue County Fiscal Court voted to return \$10,000 of 1999 excess fees to the Sheriff's office to make the Sheriff's vehicle lease payment for calendar year 2000. Following this approval, the Sheriff transferred \$10,000 from his 1999 fee account to his 2000 fee account on December 31, 1999.

COMMENT AND RECOMMENDATION

LARUE COUNTY
MERLE EDLIN, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 1999

The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff had a bank balance of \$537,904; FDIC insurance of \$100,000; and securities pledged of \$1,625,000 as of December 31, 1999. Even though the Sheriff obtained pledged securities of \$1,625,000, the pledge agreement was not approved by the board of directors of the depository institution or its loan committee nor evidenced by a written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Sheriff's Response:

None.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Merle Edlin, LaRue County Sheriff
Members of the LaRue County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the LaRue County Sheriff as of December 31, 1999, and have issued our report thereon dated May 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the LaRue County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LaRue County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Merle Edlin, LaRue County Sheriff
Members of the LaRue County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 18, 2000

